REMARKS

At the outset, the applicant and the undersigned thank the examiner for the telephonic interview held on April 6, 2005 regarding this application.

In the Office Action, claims 1-26 were rejected under 35 U.S.C. § 112, ¶1 and ¶2. Also, claims 1-26 were rejected under 35 U.S.C. § 103(a) as being unpatentable over Macklin et al., "Going Public and the NASDAQ Market," *The NASDAQ Handbook*, 1992 Ed., Chap. 7 (referred to herein as "Macklin"). By this amendment, applicant has canceled claims 1-26 and presents new claims 27-39 for consideration.

For the reasons set forth below, the new claims (i.e., claims 27-39) are in condition for allowance.

Applicant notes that the present application has been pending for more than five years. The application should therefore be treated as "***special***." *See* MPEP § 707.02. A summary of the protracted prosecution of the present application is provided below.

Summary of the Invention

Privately held companies typically launch a public stock offering, called an "initial public offering" (or "IPO"), to raise needed capital to expand their businesses. Traditionally, the company mounting the IPO sets an initial price (the "IPO price) at which the stock will be offered to the public. Oftentimes, however, the price at which the shares trade on the open market after the initial offering greatly exceeds the IPO price. The offering company, however, does not realize the additional capital associated with the enhanced share price of its stock. Rather, the capital raised by the offering company is limited to the number of shares offered at the IPO price (less the underwriter discount) during the subscription stage of the offering. The

difference between the aggregate value of the shares after the IPO and the capital raised by the offering company is commonly referred to as "money left on the table", because it represents additional money the company could have raised if the IPO price had better reflected the market demand for the stock.

The present invention presents a solution to this dilemma. According to embodiments of the present invention, the shares offered by the issuing company as part of the IPO are issued in a number (two or more) of serial (or successive) stages. As such, one offering (e.g., an IPO) with the method of the present invention is conducted over a series of stages. For example, a first portion of the shares is offered by the company in the first stage. Then, after a predisclosed trading interval, the second stage commences, wherein the company issues a second portion of the shares to be offered as part of the IPO, and so on. The trading interval may be, for example, a number of hours, a number of days, etc. (limited, however, by regulatory constraints which may require the company to issue a revised offering prospectus if the trading interval is too long).

The offering price of the shares offered by the company in the second stage may not be the same as the offering price for the shares in the first stage. For example, the offering price for the second stage may be equal to the closing price at the end of the trading interval between the first and second stages, or some percentage of the closing price. In that way, the amount of money left on the table by the issuing company may be reduced. For example, suppose an issuing company plans to issue 10,000,000 shares of its stock to the public in an IPO. With the present invention, it could, for example, issue 5,000,000 in the first stage and issue 5,000,000 in the second stage one day later. If the offering price for the first stage was $10 and the closing price at the end of the first day was $20, the issuing company would collect $150,000,000 in total

proceeds from the two offering stages (computed as $10/share times 5,000,000 shares for Stage 1 and $20/share times 5,000,000 shares for Stage 2). In contrast, using conventional IPO structures, the issuing company would only collect $100,000,000 (computed as $10/share times 10,000,000 shares). More than two stages could also be used. Also, other ways of the determining the offering price for any of the stages may be used, such as a direct public offering, a Dutch auction, or any combination thereof.

Importantly, the particulars of the serially staged offering are disclosed beforehand (e.g., before commencement of the first offering stage) by the issuer so that investors are apprised of the offering structure. This disclosure includes, for example, (1) the number of stages, (2) the time period between each stage, (3) the number of shares issued at each stage, and (4) pricing information for each stage (e.g., the offering price or the method of determining the offering price for the first stage, and how the offering price for the subsequent stages will be determined).

<u>Section 112, Paragraph 1 Rejections</u>

In the Office Action, claims 1-26 were rejected under 35 U.S.C. § 112, ¶ 1 because the claims, according to the Office, contain subject matter which is not described in such a way as to reasonably convey to one skilled in the relevant art that the inventor, at the time the application was filed, had possession of claimed invention. Specifically, the Office states that the word "initial" in the claims "does not have support in the original specification and claims…" Office Action, ¶ 2, p.2.

Although claims 1-26 are canceled in this amendment, the new claims similarly state that the method pertains to an "initial public offering." For at least the reasons discussed below and as agreed to in the telephonic interview with the examiner, the application reasonably conveys to

a person skilled in the relevant art that the inventor, at the time the application was filed, had possession of a method that could be used for an initial public offering.

An applicant shows possession of the claimed invention by describing the claimed invention with all of its limitations using such descriptive means as words, structures, figures, diagrams and formulas that fully set forth the claimed invention. *See* MPEP § 2163.02. There is no *in haec verba* requirement for the claim language. *See* MPEP § 2163. In this case, it is clear from a reading of the specification that the inventor possessed the aspect of the invention that the public offering of the company's stock could be an *initial* public offering.

First, the specification describes the invention as a solution to the underpricing problem associated with IPOs. *See e.g.,*, specification, p. 5, lines 6-8 ("The stock offering methods of the present invention represent an advancement over prior ***IPO*** models because they reduce the amount of money left on the table by the offering company.")(emphasis added); p. 8, lines 15-17 ("The method 8 of the present invention provides an advantage over the ***traditional IPO*** method and the Dutch auction method because it reduces the amount of money left on the table for the offering company.") (emphasis added). Thus, it would be clear to a person skilled in the art that the invention could be used for an initial public offering.

Second, there is explicit support in the specification for the notion that the invention could be used as part of an initial public offering. For example, at p. 13, lines 14-15, the company performing the method of the invention is described as "the company ***launching the IPO***..." Similarly, at page 13, lines 19-20, an embodiment of the offering is described where the first mentioned step is listed as "the company ***launching the IPO*** disclosing..." Persons of skill in the art pertaining to the present invention know that the "I" in "IPO" is short for "initial." In fact, the present application makes that point at page 1, line 15-16. Thus, the specification,

including the above-mentioned passages, would convey to a person of reasonable skill in the art that the inventor possessed the claimed invention at the time the application was filed. About this there can be no question.

Accordingly, the new claims satisfy 35 U.S.C. § 112, ¶ 1.

Section 112, Paragraph 2 Rejections

Claims 1-26 were also rejected under 35 U.S.C. § 112, ¶ 2 as being indefinite for failing to particularly point out and distinctly claim the subject matter regarded as the invention. Specifically, the Office indicates that the term "initial" in "initial public offering" is unclear and creates confusion since, according to the claims, the offering occurs in multiple stages.

Applicant respectfully disagrees with the merits of the rejection. Nevertheless, claims 1-26 have been cancelled and the new claims do not use the term "initial" other than to say that the claimed method is used in an "initial public offering." Thus, there is no confusion with the new claims. The new claims satisfy § 112, ¶ 2 and the rejection should be withdrawn.

Section 103 Rejection based on Macklin

The new claims are not obvious in view of Macklin because the Macklin reference does not teach or suggest all of the limitations of the new claims. *See* MPEP § 2143.03 ("To establish *prima facie* obviousness of a claimed invention, all the claim limitations must be taught or suggested by the prior art.")

Macklin teaches a primary offering (or IPO) where shares of a privately held company are offered to public investors. This is the conventional IPO technique. Macklin, however, fails to teach or suggest an IPO offering structure having ***two or more successive offering stages,***

where the particulars of each stage are ***disclosed prior to the offering***. The particulars, as set forth in claim 27, include the number of shares to be offered in each stage, the amount of time of the trading interval between each offering stage, and the pricing information for each stage. Also, in contrast to Macklin, different pricing modalities may be used in the present invention for the various offering stages (e.g., traditional IPO pricing, Dutch auction, direct public offering, combinations of these techniques, etc.)

The Office implies, at page 5 of the Office Action, that these features are taught or suggested in the second paragraph of page 103 of the Macklin reference. This paragraph of Macklin discusses a "seasoning strategy." The "seasoning strategy" referred to in Macklin does not address the well-known IPO underpricing problem described in the prior art (including the literature cited by the Office in the Office Action). The underpricing problem, in short, refers to the common situation in IPOs where private companies which go public may not get the full value of their shares upon the initial public offering. This may happen regardless of whether or not the company employs the "seasoning strategy" described in Macklin.

The "seasoning strategy" consists simply of doing an IPO (whether underpriced or not) and then letting the market determine the value of the company's stock over time (usually at least a year – thus the word "seasoning"), whereupon a secondary or follow-on public offering of additional stock can be made. This secondary or follow on offering will rarely be underpriced since there is already a full market price and valuation for the company's stock as a result of the IPO.[1] It is also worth noting that using a "seasoning strategy" does not commit the company to any action whatsoever, and the company may or may not do a secondary offering depending

[1] As noted in the IPO literature cited in the Office Action, underpricing is a phenomenon almost entirely restricted to the initial public offering (see Barry et. al., page 60, right side,), and so a seasoning approach or strategy will not help, since seasoning assumes that an initial public offering has already been made.

upon market conditions and a host of other factors. Indeed, there are other avenues which the company may use to obtain capital, such as commercial financing, issuance of corporate bonds, joint venture, etc.

The "seasoning strategy," therefore, is not a solution to the underpricing problem for IPOs.[2] The "seasoning strategy" is simply to wait and see what happens. The present invention, in contrast, provides a cascade of events (i.e., successive offering stages) which is pre-determined and predisclosed from the outset and which occurs as one whole process in several steps. It is the ability of the single process to occur in several stages which allows the method of the present invention to address the underpricing problem.

Therefore, for the reasons discussed above, independent claim 27 is not obvious in view of Macklin because Macklin does not teach or suggest a multi-stage offering where prior to the first stage of the offering the particulars of the offering are disclosed, including: (1) the number of shares to be offered in the offering; (2) that the offering will occur in multiple successive offering stages; (3) the number of shares to be offered in each offering stage; (4) the amount of time of a trading interval between successive offering stages, and 5) pricing information for each offering stage.

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[2] The "prior art made of record and not relied upon" in the Office Action (see page 11) includes six (6) references that describe the under pricing problem, but only one -- U.S. Pat. 6,629,082 to Hambrecht -- that offers a solution. And the solution offered in the Hambrecht patent is merely to automate the centuries-old Dutch auction model in the context of an IPO. This demonstrates the long felt need, and hence nonobviousness, of the present invention. Note also that the present application, as originally filed, discusses using the Hambrecht method (or the openipo.com or "Dutch auction" method) as one of the methods which may be used to price various stages of the serial offering.

Summary of the Prosecution

The present application has been pending for over five years. Through the course of this protracted prosecution, the Office has continued to disregard its own operating guidelines and procedures, which has added greatly to the length of prosecution of the application at the expense of the applicant's rights. For example, on July 24, 2004, applicant filed an appeal brief addressing a § 103 rejection based on the same portion of Macklin cited in the presently-outstanding Office Action. The Macklin § 103 rejection was the only outstanding rejection to the claims at the time. In response to applicant's appeal, the Office withdrew the Macklin rejection and instead, for the first time in the prosecution despite ***four*** prior Office Actions, raised a § 101 rejection. In November 2004, applicant filed an amendment overcoming the §101 rejection. In response, in the most recent Office Action, the Office has withdrawn the §101 rejection, and instead issued (1) new § 112 rejections that are not predicated on the amendment filed in November '04 and (2) a renewed §103 rejection based on Macklin. This Office Action was prepared by a new examiner who was recently assigned to the case.

The reissuance of the §103 rejection based on the same portion of Macklin violates MPEP §1208.02, which says that an examiner may only re-open prosecution after appeal to enter ***a new ground for rejection.*** Applicant has already discharged the §103 Macklin rejection on appeal, and it is fundamentally unfair and prejudicial for the Office to reinstate the rejection now. Furthermore, the reinstatement of the Macklin §103 rejection violates MPEP §706.04, which says: "Full faith and credit should be given to the search and action of a previous examiner unless there is a clear error in the previous action or knowledge of other prior art. In general, an examiner should not take an entirely new approach or attempt to reorient the point of view of a previous examiner, or make a new search in the mere hope of finding something."

The issuance of the new §112 rejections also violates 37 C.F.R. §1.104 ("The examiner's action will be complete as to all matters...") and MPEP § 707.07(g) ("Piecemeal examination should be avoided as much as possible. The examiner ordinarily should reject each claim on all valid grounds available..."). The new § 112 rejections could have and should have been raised earlier in the prosecution, not five years into it. Further, the §101 rejection contained in the August 11, 2004 Office Action also violated 37 C.F.R. §1.104 and MPEP § 707.07(g) as it should have and could have been raised earlier in the prosecution.

Conclusion

In view of the above, applicant respectfully requests withdrawal of the rejections and allowance of the claims. If the Examiner is of the opinion that the instant application is in condition for disposition other than allowance, the Examiner is respectfully requested to the undersigned attorney at the telephone number listed below in order that the Examiner's concerns may be expeditiously addressed.

Respectfully submitted,

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